Rising Debt and Inequalities in Resource Rich African Countries Becoming a Cause for Concern

Way Forward

The participants to the special session agreed on the following success factors that can assist mineral rich countries in Africa to leverage on their natural resources for sustainable development:

1. Strong governance institutions and transparent systems
2. Fair tax systems and regular reviews of mining contracts
3. Progressive fiscal policies and social transfer programs
4. Participatory governance including the engagement of civil society

Public Debt as a Source of Injustice

During the last decade, the stock of government debt has increased in Sub-Saharan countries. Almost 40% of countries in sub-Saharan Africa (SSA) risk falling into a major debt crisis. Over dependence and failure to add value to natural resources limit policy space for economic diversification and sustainable development, further undermining intergenerational equity. The Dutch disease characterised by poor backward, forward and sideway linkages in the extractive industry aggravates unequal development outcomes whilst the capital-intensive nature of large-scale mining limits employment creation. The Multinational Corporations tend to benefit from investment incentives under other concessions as African countries race to the bottom in order to attract foreign investors.

The ultimate impact of this is a drainage of government revenues hence, a reduction in domestic expenditure and investment in the social sector.

Mining communities have nothing to show for the mineral extraction in their areas. Consequently, as minerals are extracted irresponsibly the environment suffers, agricultural land is lost, hunger and food insecurity intensify and human rights to a clean environment, food and water as well as rights to trade are violated and lost. To make matters worse governments have also gone to the extent of mortgaging minerals against sovereign debts. Moreover, oil, gas and mineral deposits have increased the propensity of nations to borrow. This has inevitably further perpetuated the natural resource curse as well as deepening inequality which will transcend beyond generations. So, poverty, misery, lack and economic struggle as induced by the extractives and unsustainable debt will constantly be a permanent feature of the poor in the Sub-Saharan Africa region if the African citizens do not stand against such forms of injustice.

Introduction

Largely driven by the extractive industries, gross domestic product (GDP) growth within certain African economies continues to rank among the world’s highest; the continent possesses 10 percent of the world’s oil reserves, 40 percent of its gold ore, and no less than 95 percent of platinum group metals. Extractive resources account for almost one quarter of Africa’s GDP. About 3.5 billion people live in countries rich in oil, gas or minerals. But all too often these resources have become a source of conflict rather than opportunity. Many of these countries also suffer from poverty, corruption, and conflict stemming from weak governance. Non-renewable mineral resources play a dominant role in 81 countries, which collectively account for a quarter of world GDP, half of the world's population, and nearly 70% of those in extreme poverty. Africa is home to about 30% of the world’s mineral reserves.

10% of the world’s oil, and 8% of the world’s natural gas. Despite the recent spate of economic growth, Africa remains affected by entrenched poverty and alarmingly high and rising inequality (Oxfam, 2019). Resource rich countries tend to be disproportionately affected by the daunting levels of inequality. Instead of addressing inequalities in Sub-Saharan Africa, there is a significant increase in different forms of inequality. Mineral extraction at different levels, has left a lot of ecological debt in mining communities. Inequalities in mineral rich countries are exacerbated by poor governance of oil, gas and minerals along the mineral value chain from exploration to mineral revenue management. Over dependence and failure to add value to natural resources limit policy space for economic diversification and sustainable development, further undermining intergenerational equity. The Dutch disease characterised by poor backward, forward and sideway linkages in the extractive industry aggravates unequal development outcomes whilst the capital-intensive nature of large-scale mining limits employment creation. The Multinational Corporations tend to benefit from investment incentives under other concessions as African countries race to the bottom in order to attract foreign investors.

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